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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000116

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SUBJECT: NIGERIA: GAZPROM ANNOUNCES PLANS FOR JOINT VENTURE

Classified By: Consul General Donna M. Blair for reasons 1.4 (B) and (D)
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¶1. (C) Summary: Vladimir Ilyanin, Managing Director of GAZPROM Nigeria, told an audience at a major Nigerian oil conference in Abuja on February 25 that his company is close to signing a USD 2.5 billion oil and gas exploration deal with the Nigerian National Petroleum Corporation. Described as a "joint venture", Ilyanin's presentation was light on the plan's specifics. Ilyanin said GAZPROM stood ready to make major infrastructure investments to help Nigeria secure natural gas for domestic use and he stated GAZPROM's interest in the proposed Trans-Saharan Gas Pipeline. Executives from Chevron and ExxonMobil expressed doubts that any real joint venture project was in the works. GAZPROM may be seeking to complicate real Nigerian gas exploration plans being considered by Western European energy companies. If it does formally announce a real joint venture in Nigeria, GAZPROM faces the same problems working in Nigerian that currently confound more experienced Western oil companies. End Summary.

¶2. (SBU) Vladimir Ilyanin, Managing Director of GAZPROM Nigeria, told the audience at the 2009 Nigeria Oil and Gas conference on February 25 that his company is close to signing a USD 2.5 billion oil and gas exploration deal with the Nigerian National Petroleum Corporation (NNPC). Ilyanin was short on details about the deal, which he labeled a "joint venture" with NNPC that would be involved in gas exploration and production and infrastructure development with a focus on Nigeria's domestic gas needs. Ilyanin noted GAZPROM's recent cooperation with NNPC, highlighting a memorandum of understanding GAZPROM signed with NNPC in September 2008 to increase technical and business cooperation between the two companies. He also stated that GAZPROM was ready to support and participate in the proposed 4,400 km Trans-Saharan Gas Pipeline that would take natural gas from Nigeria's Niger Delta across Niger and into Algeria for export to Western Europe. (Note: In a presentation immediately before Ilyanin's, a Total executive said his company was also ready to participate in the Trans-Saharan Gas Pipeline. End note.)

¶3. (C) Ted Etchison, Chevron Nigeria's top natural gas executive, told Energyoff after the GAZPROM presentation, that Chevron has seen no indication that GAZPROM has actual gas exploration deals in the works with the GON. He said that while the Russian company was active in Abuja, its actual goals were unclear and it had little to show for its

increased presence. In addition, Etchison said he didn't think the company was in the financial position to take on a big, greenfield exploration project. When asked about the nature of GAZPROM's MOU with the Nigerian National Petroleum Corporation (NNPC), Etchison replied that he did not really know what it was all about, but it didn't appear to be significant. An experienced Nigerian energy journalist contact later told Energyoff that he saw the MOU as a method for concealing illicit payments by GAZPROM to former NNPC Group Managing Director, Abubakar Yar'Adua. He thought a lot of the noise surrounding GAZPROM and NNPC might die down now that Yar'Adua is out of the picture (Note: Yar'Adua was dismissed as the head of NNPC in January 2009 and replaced by Mohammed Barkindo. End Note.)

14. (C) In a conversation on March 2, ExxonMobil Nigeria's Managing Director Mark Ward was even more skeptical of GAZPROM's activities in country. Ward, like Chevron's Etchison, did not believe GAZPROM had the cash or access to outside financing for big investments in Nigeria. In fact, he saw its posturing in Nigeria as an attempt to mask that financial weakness. He predicted GAZPROM would continue to announce small infrastructure projects and vague joint venture proposals in an attempt to string the GON along while complicating real gas exploration and liquefied natural gas (LNG) deals being developed Western European energy company rivals. Ward dismissed the Trans-Saharan Gas Pipeline as a "fantasy" that will never happen, describing it as too costly, too politically dangerous, and providing no value added to Nigeria. He thought the GON would be happy to entertain project proposals, bids, and memorandums of

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understanding, but would ultimately look to LNG as its primary export venue.

15. (C) Comment: From the outside it's hard to say what form the GAZPROM/NNPC "joint venture" will take when and if it is formally announced. That term has a specific legal meaning in the Nigerian petroleum sector, referring to the massive onshore and near offshore exploration and production ventures jointly owned and financed by NNPC and Western oil company partners. It a legal structure that is in fact under going review and is likely to change significantly in the next few years. If the GAZPROM proposal is a true joint venture in the Nigerian sense of the term, the Russians may be in for a rude awakening. Both Shell and Total recently revealed they were forced to loan their Nigerian partners billions of dollars at well below market interest rates to support ongoing joint venture operations. End Comment.

16. (U) This cable cleared by Embassy Abuja.
BLAIR